GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2070
ANSWERED ON:03.08.2001
FINANCIAL CRUNCH
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Will the Minister of FINANCE be pleased to state:

(a) the number of states facing financial crunch and the steps taken by the Government to improve their position;

(b) the amount of funds provided by the Union Government to eachstate Government to tackle the situation alongwith the names of these states; and

(c) the guidelines issued by the Government to help the states to tackle the financial crisis?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (c) : Because of rising mismatch between receipt and expenditure, some States have experienced periodic Ways and Means related financial problems. To enable such states to deal with the situation, there is an agreement between the states and Reserve Bank of India to provide Ways and Means support.

The Financial Management of the States is primarily theresponsibility of the State Government and it is for the respective State Government to initiate remedial action. However, in order to alleviate the mismatch in the States` cash flows, the Government of India releases plan assistance, share in central taxes and small savings loans in advance depending on the need and request of the State Government. In addition to Ways and Means support by ReserveBank of India, Central Government also provides Ways and Means advance to States.

Pursuant to the recommendations of Eleventh FinanceCommission, a scheme for the States Fiscal Reforms Facility hasbeen drawn up. Under the scheme, States have been encouraged to draw a monitorable fiscal reforms program aimed at improving their financial position in the medium term.